Educational Media Foundation

Rocklin, California

CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2019

K·COE
ISOM

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K·COE ISOM LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Media Foundation
Rocklin, California

We have audited the accompanying consolidated financial statements of Educational Media Foundation and subsidiaries (EMF), which comprise the consolidated statement of financial position as of December 31, 2019; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to EMF's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EMF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EMF as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KCoe Isom, LLP

May 13, 2020
Chico, California

Educational Media Foundation
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019		
ASSETS		
Current Assets		
Cash and cash equivalents	$	39,903,738
Unconditional promises to give		3,883,142
Prepaid expenses		3,955,651
Current portion of notes receivable		92,688
Inventories		2,289,601
Other receivables		790,351
Total Current Assets		50,915,171
Property and Equipment		
Net of accumulated depreciation		53,235,434
Other Assets		
Deposits and other		618,586
Notes receivable - net of current portion		166,672
Investments		69,957,935
FCC licenses, permits, and application costs		574,146,776
Trademarks		13,865,241
Goodwill		3,676,746
Total Other Assets		662,431,956
TOTAL ASSETS	$	766,582,561
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$	10,061,092
Current portion of long-term debt		17,035,831
Total Current Liabilities		27,096,923
Long-Term Debt		
Net of current portion		49,811,305
Total Liabilities		76,908,228
Net Assets		
Without donor restrictions:		
Board-designated		77,707,209
Undesignated		607,279,397
With donor restrictions		4,687,727
Total Net Assets		689,674,333
TOTAL LIABILITIES AND NET ASSETS	$	766,582,561

The accompanying notes are an integral part of these consolidated financial statements.

Educational Media Foundation

CONSOLIDATED STATEMENT OF ACTIVITIES

	Donor Restrictions		
Year Ended December 31, 2019	**Without**	**With**	**Total**
Revenue, Support, and Gains			
Contributions	$ 186,057,956	$ 5,059,573	$ 191,117,529
Business underwriting grants	4,131,545	-	4,131,545
Interest and dividend income	2,319,863	-	2,319,863
Concert tours	1,632,572	-	1,632,572
Marketing services	185,100	-	185,100
Royalties	11,928	-	11,928
Miscellaneous income	1,007,356	-	1,007,356
Net gain on disposal of assets	1,481,087	-	1,481,087
Net unrealized gain on investments	6,567,191	297,302	6,864,493
Net assets released from restriction	3,320,007	(3,320,007)	-
Transferred from board-designated endowment	(1,017,768)	1,017,768	-
Total Revenue, Support, and Gains	205,696,837	3,054,636	208,751,473
Expenses			
Program	99,402,535	-	99,402,535
General administration	18,588,818	-	18,588,818
Fundraising	8,073,406	-	8,073,406
Total Expenses	126,064,759	-	126,064,759
Change in Net Assets	79,632,078	3,054,636	82,686,714
Net Assets - Beginning of Year	605,354,528	1,633,091	606,987,619
Net Assets - End of Year	$ 684,986,606	$ 4,687,727	$ 689,674,333

The accompanying notes are an integral part of these consolidated financial statements.

Educational Media Foundation

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019		Program		General Administration		Fundraising		Total Expenses
Payroll and related	$	31,038,813	$	12,198,716	$	4,227,353	$	47,464,882
Occupancy		946,225		146,802		109,356		1,202,383
Listener servicing		1,641,429		748,475		725,884		3,115,788
Office		3,833,716		787,145		90,928		4,711,789
Programming		1,056,460		-		-		1,056,460
Website		2,758,167		-		-		2,758,167
Promotion and advertising		2,574,924		322,003		551,240		3,448,167
Travel and meetings		2,097,125		761,507		346,602		3,205,234
Engineering		7,964,561		158,788		68,297		8,191,646
Donations		253,148		-		-		253,148
Interest		3,016,064		2,206		-		3,018,270
Administrative		507,175		1,196,957		895,772		2,599,904
Computers and software		4,411,883		343,584		147,299		4,902,766
Professional consulting		1,957,195		1,433,107		910,675		4,300,977
Depreciation		9,301,039		489,528		-		9,790,567
Station operations		26,044,611		-		-		26,044,611
Total Expenses	$	99,402,535	$	18,588,818	$	8,073,406	$	126,064,759

The accompanying notes are an integral part of these consolidated financial statements.

Educational Media Foundation
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2019	
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 82,686,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,790,567
Amortization of debt issuance costs	44,129
Impairment charge on indefinite-lived assets	5,752,680
Noncash contributions	(139,946)
Net gain on disposal of assets	(1,481,087)
Net unrealized gain on investments	(6,864,493)
Net change in operating assets and liabilities:	
Increase in unconditional promises to give	(26,110)
Increase in prepaid expenses	(1,243,830)
Increase in inventories	(43,593)
Increase in other receivables	(241,819)
Decrease in deposits and other	12,813
Increase in accrued interest on notes receivable	(312)
Increase in accounts payable and accrued expenses	232,030
NET CASH PROVIDED BY OPERATING ACTIVITIES	88,477,743
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property and equipment	(10,083,540)
Payments for FCC licenses	(37,454,143)
Proceeds from sale of assets	4,351,856
Principal payments received on notes receivable	45,996
Net decrease in long-term investments	3,532,025
Payments for acquisition of WTA	(3,500,000)
NET CASH USED IN INVESTING ACTIVITIES	(43,107,806)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments for capitalized loan fees	(147,687)
Principal payments on notes payable	(33,569,173)
NET CASH USED IN FINANCING ACTIVITIES	(33,716,860)
Change in Cash and Cash Equivalents	11,653,077
Cash and Cash Equivalents - Beginning of Year	28,250,661
Cash and Cash Equivalents - End of Year	$ 39,903,738

The accompanying notes are an integral part of these consolidated financial statements.

Year Ended December 31, 2019		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest expense	$	2,885,564
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Debt incurred in the acquisition of FCC licenses and equipment	$	53,000,000
Deposits applied in the acquisition of FCC licenses and equipment	$	20,057,100
Noncash exchanges of FCC licenses and equipment	$	217,147

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements.

Organization Educational Media Foundation and subsidiaries (EMF) create and distribute Christian media through K-LOVE Radio Network, Air 1 Radio Network, and WTA Media, LLC (WTA). Media channels include radio, film, literature, podcasting, and digital. Content is distributed worldwide. EMF is a member of the Evangelical Council for Financial Accountability.

Principles of Consolidation The consolidated financial statements include the accounts of Educational Media Foundation and its wholly owned subsidiaries: El Dorado Licenses, Inc.; Brockport Licenses, LLC; San Joaquin Broadcasting Company; EMF Corporation; EMF Property Holdings, LLC; K-LOVE/Air 1 Events, LLC; Crisis Response, LLC; K-LOVE and Air 1 Foundation Trust; and WTA Media, LLC. EMF is the sole stockholder of the corporations, and EMF or one of its subsidiaries is the sole member of the LLC's. EMF Corporation is the sole trustee of the K-LOVE and Air 1 Foundation Trust. The K-LOVE and Air 1 Foundation Trust is the sole member of WTA Media, LLC. The subsidiaries have been organized and are operated primarily to support and carry out the purposes of EMF. All material interorganizational transactions and balances have been eliminated in the consolidation.

Basis of Presentation The consolidated financial statements of EMF have been prepared in accordance with accounting principles generally accepted in the United States of America, which require EMF to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets in this category are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of EMF's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets in this category are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EMF or by passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported in the statement of activities as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents EMF considers time deposits, certificates of deposit, and all highly liquid debt instruments having an original maturity of three months or less to be cash equivalents.

Inventories Inventories, which consist primarily of broadcasting equipment parts, are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Cost is determined on the first-in, first-out method.

Property and Equipment Property and equipment purchased by EMF are recorded at cost. EMF capitalizes equipment with an acquisition cost in excess of $5,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 15 years for equipment, and 39 years for buildings and leasehold improvements.

Notes Receivable Notes receivable are recorded at the amortized amount due. In determining collectability, management takes into consideration such factors as debtor history, payment history, and existing economic conditions. Once a note receivable is deemed uncollectible based on these factors, it is written off. Management has determined that no allowance for potentially uncollectible notes receivable was necessary at December 31, 2019.

Investments Investments in equity securities are recorded at fair value. Investments in marketable debt securities with readily determinable fair market values are reported at fair value. Investments in real estate are presented at their appraised values. Unrealized gains and losses are included in the increase in net assets in the accompanying consolidated statement of activities.

Intangible Assets EMF classifies intangible assets as definite-lived or indefinite-lived. EMF's indefinite-lived intangible assets include primarily Federal Communication Commission (FCC) radio licenses, related construction permits and application costs, and trademarks. FCC radio licenses, construction permits, and application costs are recorded at cost. Construction permits and application costs represent legal and other related costs incurred to date to apply for FCC licenses and in preparation of going on the air.

Trademarks represent legal and other costs incurred in obtaining trademarks for the K-LOVE and Air 1 radio networks.

Intangibles with indefinite useful lives are not amortized; rather, they are evaluated for impairment annually. When the life of an intangible asset previously deemed to have an indefinite life is determined to no longer be indefinite, then the asset is amortized over the identified useful life.

EMF performed its annual impairment tests on its indefinite-lived assets as of December 31, 2019, which resulted in a noncash impairment charge to station operations of approximately $5,753,000. The impairment charge reduced the carrying value of three stations currently carrying K-LOVE programming, five stations carrying Air 1 programming, and one other station write-off.

Goodwill Goodwill represents the cost of an investment in a purchased company in excess of the underlying fair value of net identifiable assets at the date of acquisition. Goodwill is evaluated for impairment when a triggering event occurs.

Income Taxes EMF is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*. EMF has not entered into any activities that would jeopardize its tax-exempt status. EMF does enter into unrelated trade or business activities that result in unrelated business income. Historically, the expenses associated with this unrelated business income exceed the income. Accordingly, no provision for income taxes is recorded in the accompanying consolidated statement of activities.

Contributions EMF receives the majority of its support from contributions received in response to periodic pledge drives for the K-LOVE and Air 1 radio networks. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as net assets with donor restrictions. Unconditional promises to give are recorded as support when a valid pledge has been received. Intentions to give are recorded when the cash is received. No allowance for unconditional promises to give was deemed necessary at December 31, 2019.

Contributed Services Many individuals volunteer their time in performing a variety of tasks that assist EMF in its program efforts. However, no amounts have been reflected in the consolidated financial statements for donated services as these services do not meet the criteria for recognition as set forth under accounting principles generally accepted in the United States of America.

Revenues from Contracts with Customers Effective January 1, 2019, EMF adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, Accounting Standards Codification 606). This ASU is based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. EMF adopted this ASU using a modified retrospective method for all contracts. The timing of recognition is consistent with EMF's previous revenue recognition accounting policy. Based on EMF's implementation assessment, the adoption of this ASU did not have a material impact on the accompanying financial statements. As a result, no cumulative-effect adjustment was made to the opening balance of net assets.

A five-step model is used to determine the amount and timing of revenue recognized. The five-step model requires EMF to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, EMF satisfies the performance obligations.

EMF's revenues are generated from its operations within the United States and are recognized as described below:

Business Underwriting Grants: Business underwriting grants represent fees paid by businesses to EMF for concert or special event announcements. These are generally short-term in nature. Business underwriting grant revenue is recognized over time as, but only if, the contracted announcements are run. Contract liabilities are recorded for payments received from customers in advance of EMF fulfilling the obligation to run the announcements, and are included in accounts payable and accrued expenses on the consolidated statement of financial position. Contract liabilities were $347,411 as of December 31, 2019.

Concert Tours: Concert tour revenue represents income earned by EMF for the marketing of the tour, and is based on an agreement with the customer for an agreed-upon percentage of net profit generated by the concert tour. Revenue is recognized at a point in time once EMF's share of the net profit can be reasonably estimated, generally at the end of the concert tour.

Marketing Services: Marketing service revenue represents service fees for the development and marketing of media. Revenue is recognized over time based on the terms of the agreement, generally in the form of a monthly fee throughout the period in which services are performed.

Royalties: Royalties represent fees received for the sales of products marketed by EMF, and are based on an agreed-upon percentage of sales. Revenue is recognized at a point in time once EMF's royalties can be reasonably estimated, generally on a quarterly basis.

Functional Allocation of Expenses The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of activities. The presentation of expenses by function and nature is included in the statement of functional expenses. EMF charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs can be specifically identified as being incurred for the activities of that program or supporting service. Other costs that are incurred by EMF benefit more than one program or supporting service, and are allocated on a reasonable basis that is consistently applied. Payroll and related costs are allocated based on estimates of time and effort; other costs, including depreciation, listener servicing, certain occupancy and office costs, promotion and marketing, engineering, and computers and software, are allocated based on estimates of usage or benefit received by each function. EMF reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method, based on actual activities conducted during the year.

Promotion EMF promotes its stations within local service areas. Promotion costs are expensed as they are incurred.

Implementation of New Accounting Standard In January 2016, FASB issued ASU No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which is intended to enhance the reporting model for financial instruments to provide users of the financial statements with more decision-useful information. The ASU requires equity investments, except for those accounted for under the equity method and those that result in the consolidation of an investee, to be measured at fair value, with changes in fair value recognized in changes in net assets. Adoption of the standard did not have any effect on prior year consolidated financial statements.

Evaluation of Subsequent Events Management has evaluated subsequent events through May 13, 2020, the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF ASSETS

The following represents EMF's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts invested in the quasi-endowment that could be drawn upon if the Board of Directors approves that action, reserves for station acquisitions, and other board designations. The Board of Directors has also designated an operating contingency reserve in the amount of $55,000,000 that has not been subtracted as unavailable, as it is designated for the purpose of meeting general expenditures if the need arises. Additionally, the Board of Directors may vote to release board-designated net assets, making them available for general expenditures if needed.

December 31, 2019		
Financial Assets - End of Year		
Cash and cash equivalents		$ 39,903,738
Unconditional promises to give		3,883,142
Current portion of notes receivable		92,688
Investments	$ 69,957,935	
Less: Real estate held for sale	(1,100,435)	
Less: Endowment investments	(12,684,467)	
Investments available to be liquidated		56,173,033
Other receivables		790,351
Total Financial Assets - End of Year		100,842,952
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(77,707,209)	
Add back: Operating contingency	55,000,000	
Unavailable board-designated net assets		(22,707,209)
Net assets with donor restrictions		(4,687,727)
Subtotal		(27,394,936)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months		$ 73,448,016

EMF is substantially supported by donations from listeners. The majority of these donations are unrestricted and are available to meet general expenditure obligations. In order to manage liquidity, EMF has structured its financial assets to be available as its general expenditures and liabilities come due. EMF's operating contingency reserve of $55,000,000 equates to approximately six months of operating expenses.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

December 31, 2019	
Broadcast equipment	$ 91,572,946
Furniture and fixtures	11,836,313
Automobiles	217,341
Software	10,191,997
Buildings	18,712,105
Leasehold improvements	1,237,937
Land	6,700,335
Capital projects in process	5,966,680
Subtotal	146,435,654
Less: Accumulated depreciation	93,200,220
Total Property and Equipment - Net	$ 53,235,434

Depreciation expense was $9,790,567 for the year ended December 31, 2019.

4. FAIR VALUE AND INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1), and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EMF has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Money Market Funds: Amounts are interest-bearing deposit accounts. EMF does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.

Mutual Funds and Equity Securities: Each investor in a mutual fund will typically receive units of participation or shares in the mutual fund. These shares are valued daily, based on the underlying securities owned by the mutual fund, and are usually publicly-traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represent a claim on its proportional share in the corporation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Equity securities are valued daily based on the closing market price in the active exchange markets.

Debt and Fixed Income Securities: Corporate bonds, government bonds, and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

Real Estate: Amounts are carried at the fair market value of the interests as of the dates the interests were acquired, and are periodically adjusted upon the performance of an appraisal or a letter of intent to purchase.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although EMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, EMF's investments at fair value:

December 31, 2019	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 10,797,700	$ -	$ -	$ 10,797,700
Mutual funds by investment objective:				
Growth funds	3,446,296	-	-	3,446,296
Blend funds	15,626,160	-	-	15,626,160
Bond and fixed income funds	14,693,320	-	-	14,693,320
Equity securities by industry type:				
Healthcare	1,964,124	-	-	1,964,124
Consumer staples	1,468,515	-	-	1,468,515
Technology	3,010,172	-	-	3,010,172
Consumer discretionary	1,111,440	-	-	1,111,440
Industrials	2,107,292	-	-	2,107,292
Financial	1,320,764	-	-	1,320,764
Telecommunications	1,602,910	-	-	1,602,910
Utilities	1,010,264	-	-	1,010,264
Real estate	1,680,367	-	-	1,680,367
Blend equities	1,627,005	-	-	1,627,005
Debt and fixed income securities:				
U.S. Treasury	2,076,250	-	-	2,076,250
Corporate	-	5,314,921	-	5,314,921
Real estate	-	-	1,100,435	1,100,435
Total Investments at Fair Value	$ 63,542,579	$ 5,314,921	$ 1,100,435	$ 69,957,935

The table below sets forth a summary of changes in the fair value of EMF's level 3 real estate investments:

	Level 3
Balance - December 31, 2018	$ 2,417,000
Proceeds from sale of real estate	(1,393,968)
Realized loss	(1,023,032)
Subtotal	-
Purchase of real estate	1,100,435
Balance - December 31, 2019	$ 1,100,435

5. FCC LICENSES, PERMITS, AND APPLICATION COSTS

Capitalized FCC licenses, permits, and application costs for stations and translators consisted of the following:

December 31, 2019		
Operating stations and translators	$	574,104,026
Pending stations and translators		42,750
Total FCC Licenses, Permits, and Application Costs	$	574,146,776

6. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31, 2019		
Various notes payable, secured by security interests in personal property, due in periodic payments of various amounts, including interest at rates ranging up to 5.00%, maturing at various dates through January 2023.	$	25,222,321
Note payable, secured by a security interest in personal property, due in monthly payments of $12,000, including interest at 7.30%, maturing in December 2033.		1,260,357
Note payable, secured by a security interest in personal property, due in quarterly principal payments of $1,892,856, plus interest at the three-month LIBOR rate plus 2.00% (effectively 3.91% as of December 31, 2019), maturing in May 2026.		29,214,286
Trademark license agreement, secured by interest in a trademark license, due in monthly principal payments of various amounts up to $125,000, plus imputed interest at an effective rate of 4.01%, maturing in November 2027.		11,351,809
Total Long-Term Debt		67,048,773
Less: Unamortized debt issuance costs		201,637
Subtotal		66,847,136
Less: Current portion		17,035,831
Total Long-Term Debt - Net	$	49,811,305

Maturities of long-term debt are as follows:

Years Ending December 31		
2020	$	17,035,831
2021		16,663,967
2022		16,424,973
2023		7,362,431
2024		926,108
Thereafter		8,635,463
Total Long-Term Debt	$	67,048,773

Debt issuance costs are amortized over the life of the related debt instrument. Amortization expense was $44,129 for the year ended December 31, 2019, and over the next five years is expected to be $46,898, $46,898, $33,998, $21,098, and $21,098, respectively.

7. OPERATING LEASES

EMF leases office space, radio tower space, land, satellite equipment, and vehicles under various non-cancelable operating lease agreements. EMF has constructed radio towers on these leased land parcels.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

Years Ending December 31		
2020	$	13,083,431
2021		10,551,353
2022		8,188,669
2023		5,737,010
2024		3,955,920
Thereafter		9,274,355
Total	$	50,790,738

Rent expense was $13,578,523 for the year ended December 31, 2019.

8. AFFILIATES AND COMMITMENTS

EMF has entered into various affiliate agreements with other radio stations to rebroadcast EMF's radio format through these stations. EMF also has certain rights and obligations related to the purchase of radio stations.

Certain of these stations operate under agreements that require an income split of the nonbusiness cash contributions generated under the stations' listening markets, or under agreements that require an income split of the nonbusiness cash contributions in excess of a base amount, in addition to a flat monthly fee. The remaining affiliate stations operate under agreements that require flat monthly fees and/or operating expense reimbursements.

The following is a schedule of future minimum payments required under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements:

Years Ending December 31		
2020	$	2,375,547
2021		1,296,490
2022		967,323
2023		373,597
2024		115,000
Thereafter		3,000
Total	$	5,130,957

The total payments made under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements were $3,047,215 for the year ended December 31, 2019.

9. ENDOWMENT

EMF's endowment consists of eighteen individual donor-restricted funds established for the purposes of Organizational Strength, Core Growth and Excellence, and Reach and Influence. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of EMF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, EMF classifies as donor-restricted net assets in perpetuity: (a) the original value of gifts to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment that are required to be maintained in perpetuity, made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. EMF considers a fund to be underwater when the fair value of the fund is less than the amount of the applicable donor-restricted net assets in perpetuity. EMF has interpreted UPMIFA to permit spending from underwater funds, in accordance with the prudent measures required under the law.

In accordance with UPMIFA, EMF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of EMF, and (7) EMF's investment policies.

EMF has adopted an investment and spending policy, approved by the Board of Directors, of appropriating for distribution each year 3% of its endowment fund's rolling average fair value over the prior 12 quarters, through the calendar year-end preceding the fiscal year in which the distribution is planned. This policy is designed to protect the budget from the vagaries of year-to-year fluctuations in market returns, change of yields from year to year that result from changes in interest rates, dividend levels, and pay-out rates, and to provide for gradual increase in spendable earnings from year to year. Actual returns in any given year may vary from the expectations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as to not expose the fund to unacceptable levels of risk. EMF may appropriate for expenditure as much of endowed funds as the Finance Committee determines is prudent and in line with the restricted purpose of the funds. EMF's spending policy is designed to maintain appropriate stewardship of perpetual funds. Accordingly, investment returns in excess of the spendable amount shall be retained to offset inflation.

The following represents endowment net assets composition by type:

	Donor Restrictions		
December 31, 2019	**Without**	**With**	**Total**
Board-designated endowment funds	$ 9,502,959	$ -	$ 9,502,959
Donor-restricted endowment funds	-	3,181,508	3,181,508
Total	$ 9,502,959	$ 3,181,508	$ 12,684,467

Changes in endowment net assets were as follows:

		With Donor Restrictions		
	Without Donor Restrictions	**Specific Purpose**	**In Perpetuity**	**Total**
Balance - December 31, 2018	$ 8,849,226	$ (55,438)	$ 904,108	$ 9,697,896
Contributions	-	-	1,017,768	1,017,768
Investment income - net of investment fees	177,271	45,147	-	222,418
Realized gain (loss) on investments	(24,624)	14,502	-	(10,122)
Unrealized gains on investments	1,518,854	237,653	-	1,756,507
Transfers from board-designated endowment	(1,017,768)	-	1,017,768	-
Balance - December 31, 2019	$ 9,502,959	$ 241,864	$ 2,939,644	$ 12,684,467

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires EMF to retain in perpetuity. No such deficiencies exist as of December 31, 2019.

10. NET ASSETS

The following is a reconciliation of net assets without donor restrictions:

December 31, 2019	
Board-designated:	
Station acquisitions	$ 8,008,000
Third-party giving	176,250
Major acquisitions and strategic initiatives	5,020,000
Operating contingency	55,000,000
Endowment	9,502,959
Total Board-Designated	77,707,209
Undesignated	607,279,397
Total Net Assets Without Donor Restrictions	$ 684,986,606

The following is a reconciliation of net assets with donor restrictions:

December 31, 2019	
Restricted for purpose	$ 1,205,014
Subject to passage of time	116,398
Restricted in perpetuity	3,366,315
Total Net Assets With Donor Restrictions	$ 4,687,727

Activity for net assets with donor restrictions was as follows:

Year Ended December 31, 2019		
Contributions Restricted for Purpose		
Received during the year	$	3,966,779
Expended during the year		(3,072,150)
Net Restricted Contributions Received During the Year		894,629
Expenditures of prior years' purpose restricted net assets		(62,857)
Prior years' purpose restricted net assets transferred to endowment		(175,000)
Investment gain on endowment		297,302
Net Increase in Net Assets Restricted for Purpose		954,074
Contributions Restricted by Passage of Time		
Received during the year		36,562
Expended during the year		(10,000)
Net Contributions Restricted by Passage of Time		26,562
Expenditure of prior years' net assets restricted by passage of time		(175,000)
Net Decrease in Net Assets Restricted by Passage of Time		(148,438)
Contributions Restricted in Perpetuity		
Received during the year		1,056,232
Transferred from purpose-restricted net assets		175,000
Transferred from board-designated endowment		1,017,768
Net Increase in Net Assets Restricted in Perpetuity		2,249,000
Increase in Net Assets With Donor Restrictions		3,054,636
Net Assets With Donor Restrictions - Beginning of Year		1,633,091
Net Assets With Donor Restrictions - End of Year	$	4,687,727

11. CONCENTRATIONS AND CONTINGENCIES

Credit Risk

EMF maintains its cash accounts in depositories that are insured by the FDIC, generally to $250,000 per institution. As of December 31, 2019, $39,813,439 of EMF’s cash accounts in depositories was uninsured.

12. RETIREMENT PLAN

EMF sponsors a 401(k) defined contribution retirement plan covering all employees who meet the plan's age and service requirements. Eligible employees may elect to make salary deferral contributions to the plan up to certain annual limits. EMF may elect to make discretionary matching contributions based on employee salary deferral contributions, discretionary profit sharing contributions, or a combination of both. Employer contributions to the plan were $1,185,554 for the year ended December 31, 2019.

13. SELF-INSURED HEALTH PLAN

EMF provides a self-insured health plan for eligible employees. EMF has purchased stop-loss insurance in order to limit its exposure, which will reimburse EMF for claims incurred for a covered individual exceeding $125,000 annually, with an unlimited annual maximum benefit per covered person; or aggregate claims exceeding approximately $5,111,000, up to a maximum reimbursement of $1,000,000 annually. EMF funds its self-insurance obligations based on actual claims reported by the program's third-party administrator. Additionally, EMF has estimated a liability for claims incurred but not yet reported using industry averages and actual claims history, which is included in accrued expenses. At December 31, 2019, the accrued liability for self-insured claims incurred but not yet reported approximated $598,000.

14. JOINT COST ALLOCATION

EMF incurred expenses that were identifiable with a particular function but served joint purposes. Expenses related to certain donor communications jointly supported program services, general administration, and fundraising. These expenses were allocated by their functional classification as follows:

December 31, 2019		
Program services	$	547,717
General administration		271,107
Fundraising		468,832
Total	$	1,287,656

15. BUSINESS COMBINATION

In September 2019, EMF purchased substantially all of the assets of WTA Services LLC, a marketing and development company for Christian media throughout the United States. As a result of the acquisition, EMF expects to expand their service offerings to further the objectives of their ministry. The goodwill of approximately $3,500,000 arising from the acquisition consists largely of the synergies of combining the operations of EMF and WTA Services LLC, and the knowledge of management and value of existing business of WTA Services LLC.

The following table summarizes the consideration paid for WTA Services LLC, and the amounts of the assets acquired at the acquisition date:

Consideration		
Cash	$	3,500,000
Recognized Amounts of Identifiable Assets Acquired		
Accounts receivable	$	26,504
Property, plant, and equipment		21,750
Goodwill		3,451,746
Total Identifiable Net Assets	$	3,500,000

The purchase agreement contains a contingent consideration arrangement that requires EMF to pay the former owners of WTA Services LLC an earnout of up to $1,000,000 over four years if certain cash flow targets are achieved. As of December 31, 2019, the fair value of the contingent consideration agreement was estimated to be $-0-, based on actual 2019 cash flows, estimated future cash flows, and future budgets.

16. SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could have a significant long-term negative impact on the fair value of EMF's investments. Other financial impact that could occur through such potential impact is unknown at this time.

As of May 13, 2020, EMF has acquired a radio signal with a purchase price of $10,750,000, paid in cash. In addition, EMF has entered into agreements to acquire nine radio signals with a purchase price of $3,400,000.

17. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued ASU 2016-02, *Leases.* This ASU will require organizations that lease assets to recognize on the balance sheet the asset and liability for the right and obligations created by leases with a term of more than 12 months. Additional disclosures will also be required in order to provide the users of the financial statements with a better understanding of the amount, timing, and uncertainty of cash flows arising from leases. This ASU intends to improve financial reporting about leasing transactions. In July 2018, FASB issued ASU 2018-11, *Leases: Targeted Improvements*, which amended ASU 2016-02 to provide an entity with a transition method for implementing the ASU. Under this transition method, an entity initially applies ASU 2016-02 at the adoption date, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. These ASUs are effective for the periods beginning after December 15, 2020. The Company's management has not yet determined the impact that implementation of these ASUs will have on the Company's financial statements.